

## The complaint

Mr J complains Monzo Bank Ltd (“Monzo”) closed his account earlier than within the notice period he’d been given which resulted in a default unfairly being added to his credit report.

## What happened

Monzo sent Mr J a notification on 3 May 2025 advising that it would be recovering funds previously credited to his account in relation to two chargeback claims that had been declined. Monzo warned Mr J that if sufficient funds were not available the account could become overdrawn.

Mr J’s account went into unauthorised overdraft on 17 May and on 19 May Monzo sent Mr J a notification confirming this.

On 23 June for reasons unrelated to the unauthorised overdraft Monzo took the decision to close Mr J’s account and in-line with its terms and conditions gave Mr J 62 days’ notice that his account would be closed on 25 August. It also stated:

“Please be aware that we retain the right to close your account instantly should the situation change.”

Monzo sent reminders via its app and SMS about his account being overdrawn and asking him to pay this off. Monzo stated the potential consequences of not doing this including account closure, defaulting the account and reporting this to the credit reference agencies (CRA’s) if it didn’t hear from Mr J and asked him to let it know if repaying would be difficult so it could help.

On 2 July Mr J told Monzo he’d pay the overdraft as soon as he got paid. Monzo reached out to Mr J asking further questions about his circumstances so it could arrive at an appropriate resolution, but Mr J didn’t respond.

On 18 July Mr J via Monzo’s in-app chat advised that he had other debts, but he would be able to settle them all once he got paid on 28 July. Monzo responded to this asking further questions to understand Mr J’s situation and to look at ways it could help, but Mr J didn’t respond.

And as Mr J’s account had remained in unarranged overdraft for over 60 days – again in-line with its terms and conditions – Monzo closed Mr J’s account with immediate effect on 26 July and reported a default on his credit file and sent Mr J an email notifying him of the closure.

Mr J attempted to contact Monzo by phone but due to providing incorrect security information Monzo was unable to proceed with the call and advised Mr J to call again or email for further assistance.

Mr J complained to Monzo that it closed his account while still within the notice period and failed to acknowledge his communication regarding payment or support him and that it had unfairly defaulted his account.

Monzo didn't uphold Mr J's complaint as it found no errors in its decision to close his account as Mr J didn't pay his unauthorised overdraft back within the required time. Monzo says on two occasions Mr J mentioned that he would clear the outstanding balance once he'd been paid but when its specialists reached out to get a better understanding of his situation he didn't respond and so the account defaulted.

Mr J was unhappy with this and so brought his complaint to this service. Mr J says he was attempting to resolve the matter in good faith and wasn't given support or the opportunity to do so and that communication via Monzo's automated system is insufficient. Mr J says that having the default reported on his credit file could cause serious long term financial harm and wants Monzo to remove the default as he believes this was issued unfairly and prematurely.

Monzo has explained the initial decision and notice of closure was given for a different reason to the final decision to immediately close the account which was due to being in unarranged overdraft and not putting a plan in place.

Monzo says Mr J's plan to settle the account on 28 July would've made no difference to the default and account closure as he needed to at least pay some funds into the account by 26 July to stop this action being taken and that its automated system for this is not something that it can manually override. Monzo have confirmed that a specialist from its team is available to support Mr J should he wish to arrange a payment plan and that it is happy to assist him through that process.

One of our investigators looked into Mr J's concerns and reached the conclusion that Monzo had provided appropriate communication and service to Mr J and that the closure of his account and default was done correctly and in-line with its terms and reporting obligations.

Mr J disagreed and has asked for an ombudsman's decision on the matter. Mr J believes the default added to his credit file was done unfairly as his account was closed a month earlier than advised and that Monzo's automated system had failed to acknowledge his communication stating he'd pay the balance.

Mr J says the default has significantly impacted his ability to get a mortgage and wants Monzo to allow him to enter a payment plan and remove the default.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I hope that Mr J won't take it as a discourtesy that I've condensed his complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Our rules allow me to do that. And the crux of Mr J's complaint is that Monzo unfairly closed and defaulted his account a month earlier than it said it would.

It might help if I explain that as a general rule Monzo isn't obliged to continue offering an account to a customer if it doesn't want to – providing banking services and facilities and to who is a commercial decision and not something for me to get involved with.

That being said it wouldn't be fair for Monzo to suspend or close Mr J's account outside the terms and conditions of the account.

Monzo's terms and conditions allow it to close an account immediately without notice. I appreciate Monzo initially gave Mr J 62 days' notice that it was going to close his account and Mr J believes the account was unfairly closed before the notice period was up.

But I note that when Monzo initially gave notice that it was going to close Mr J's account it wasn't due to Mr J being in unauthorised overdraft and within the notice provided it did say:

"Please be aware that we retain the right to close your account instantly should the situation change."

And following this the situation did change. Despite Monzo sending numerous messages regarding the status of Mr J's account and making it clear what the consequences of not paying it back would be, Mr J failed to engage fully with Monzo about this.

I accept Mr J contacted Monzo on two occasions stating that he would pay back the overdraft once he got paid, but this was never agreed by Monzo. And when Monzo responded and reached out to Mr J to get further details about his situation so it could put a plan in place and support him, Mr J didn't respond.

And so based on Mr J's lack of response or action despite Monzo's messages, I don't think Monzo's actions were unreasonable in following its processes and closing Mr J's account when it did. And even if Mr J was able to pay the debt back on the 28 July my understanding is that this would've been too late as Monzo wouldn't have been able to manually override the default as the account had been in unauthorised overdraft for over 60 days and Mr J didn't have a payment plan in place.

So I'm satisfied Monzo was entitled to close Mr J's account in-line with the terms and conditions and that no error or mistake has been made.

I appreciate that Mr J is unhappy that Monzo have reported the default on his credit file, but Monzo have a duty to make sure the information it reports on its customers affairs to the CRA's it subscribes to is factually accurate. I've seen nothing to show this isn't the case here and that Monzo have treated Mr J unfairly. Mr J went into unarranged overdraft and as this wasn't paid back or a payment plan set up in time following numerous messages from Monzo the account defaulted.

I understand Mr J's concern that his credit rating is affecting his ability to borrow money. He might be interested to know that he can place a 'Notice of Correction' on his credit record. The purpose of such a notice is to allow someone the opportunity to add any explanatory circumstances that they would like prospective lenders to take into consideration when making lending decisions. If Mr J wishes to do this, he should contact CRA's directly.

So, as I don't think Monzo has done anything wrong or treated Mr J unfairly, it follows that I do not uphold Mr J's complaint.

### **My final decision**

For the reasons I've explained, I've decided not to uphold Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 4 February 2026.

Caroline Davies  
**Ombudsman**